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International Economic Scoreboard

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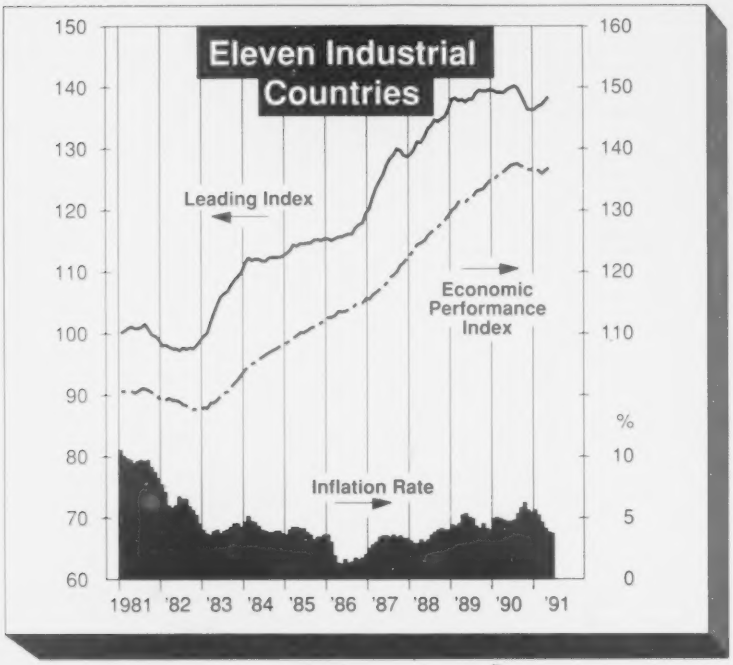
- **Global Recovery Confirmed**
- **Moderate Upswing in the U.S.**
- **Possible Solution for Japan Puzzle**
- **Taiwan — Solid and Steady Recovery**
- **Inflation Continues to Look Encouraging**

World Business Cycle



Summary of Growth Rates, Eleven Industrial Countries

	Ten-year Growth Rate 1976-86	Indexes of Economic Performance Growth Rates *			Leading Business Cycle Indexes Growth Rates *			Current Reading on the Cycle	Latest Month Covered
		6 mos. ago	3 mos. ago	Latest month	6 mos. ago	3 mos. ago	Latest month		
Eleven countries	3	1	0	0	-4	-2	0	Expansion stopped, leaders improving	May
Ten countries (U.S. excl.)	3	3	3	3	-3	-1	0	Expansion continuing, leaders improving	May
North America (2)	3	-4	-7	-5	-5	-5	1	Recession ending, leaders improving	May
Europe (4)	2	4	3	1	0	2	3	Expansion continuing	May
Pacific Region (5)	4	4	5	6	-6	-2	-3	Expansion continuing, leaders weak	May
United States	3	-5	-7	-4	-5	-4	3	Recession ending, leaders improving	June
Canada	3	-4	-7	-4	-5	-8	-3	Recession ending, leaders weak	May
West Germany	2	5	6	5	4	6	4	Expansion continuing	June/May
France	2	5	5	3	-1	4	8	Expansion continuing	May/June
United Kingdom	2	-2	-3	-3	-4	-2	0	Recession ending, leaders improving	June
Italy	2	3	4	0	-4	-2	1	Expansion continuing, leaders improving	Apr./May
Japan	4	6	4	5	-6	-3	-4	Expansion continuing, leaders weak	June
Korea, R.O.K.	7	6	7	5	4	1	0	Expansion continuing, leaders weak	June
Australia	3	-8	-10	-5	-4	-3	0	Recession ending, leaders improving	June
New Zealand	2	2	-1	-1	-4	-5	-2	Recession ending, leaders weak	May
Taiwan, R.O.C.	8	0	5	6	0	6	13	Expansion continuing	June

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

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Overview

Better News!

The latest data for the cyclical indexes confirm last month's tentative conclusion that global recovery is underway. The 11-nation leading index has been climbing steadily, if gradually, for five months, and the performance index shows a two-month recovery.

The upturn is clearly seen in the indexes for North America and Europe, but looks much more limited in the Pacific Region. The five countries in the Pacific area show great diversity. The leading indexes for Japan, Australia and New Zealand are weak. Korea's leaders are erratic. But Taiwan's indexes are climbing vigorously.

The inflation data continue to look encouraging. The 11-country rate, at 3.7 percent in June, has fallen 1.7 percentage points since the end of last year. Eight of the 11 countries in the Scoreboard are sharing in this improvement. The exceptions are Canada (only because of the introduction of a new sales tax), Korea (which at 8.4 percent has the highest inflation rate of all) and West Germany.

Summary of Inflation Rates, Eleven Industrial Countries

	Ten-year Inflation Rate 1979-89	*6 mos.* ago*	*3 mos.* ago*	*Latest* month*	*Current Reading on Inflation*	*Latest Month Covered*
		annual rates, percent				
Eleven countries	5.3	5.4	4.6	3.7	Falling	June
Ten countries (U.S. excl.)	5.2	4.9	4.7	3.9	Falling	June
North America (2)	5.6	5.9	4.7	3.7	Falling	June
Europe (4)	6.6	5.1	4.3	4.4	Volatile	June
Pacific Region (5)	3.4	4.6	4.5	2.7	Falling	June
United States	5.5	5.9	4.0	3.2	Falling	July
Canada	6.5	4.8	7.6	5.9	Volatile	June
West Germany	2.9	2.8	2.6	5.1	Rising	July
France	7.3	3.5	3.0	2.9	Falling	June
United Kingdom	7.3	7.9	6.0	4.9	Falling	June
Italy	11.2	6.7	6.5	6.2	Falling	July
Japan	2.5	4.2	4.2	2.5	Falling	June
Korea, R.O.K.	8.1	8.2	11.5	8.4	High and volatile	June
Australia	8.4	7.1	4.4	2.4	Falling	May
New Zealand	11.8	4.5	3.9	2.1	Falling	May
Taiwan, R.O.C.	4.4	3.4	3.5	2.7	Falling	June

* Ratio of current month's index over the preceding 12 month average, expressed as a compound annual rate.

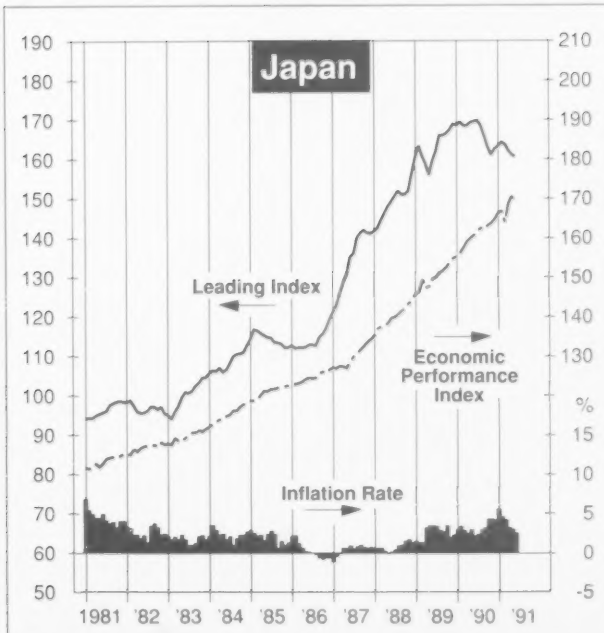
Countries

Moderate Upswing

The business cycle recovery in the United States is now well established. The U.S. leading index hit bottom in January and the turnaround in the economic performance index followed in March. Over the latest 3 months, the leading index has climbed sharply, while the performance index has improved slowly. Weakness in the employment and unemployment series has acted as a drag on the performance index, while production and sales have rebounded briskly.

Most analysts anticipate a moderate pace of advance during this economic recovery. The guess here is that over the next year or two the U.S. recovery will prove to be slower than the historical average but faster than the 2½ - 3 percent that is the current consensus forecast.

Another source of optimism is the continued favorable reports on inflation. The rate in the United States is now down to 3.2 percent, a sharp improvement over the recent peak of 6.8 percent last October.

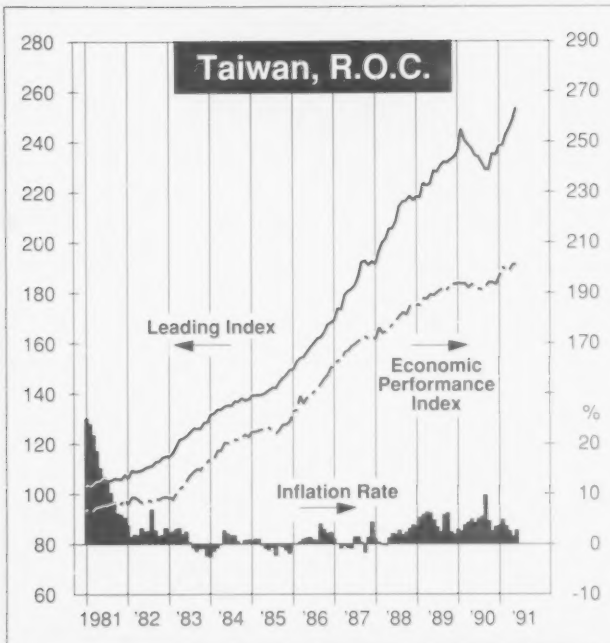


Slowdown Beginning?

The answer to what has been a Japanese economic enigma may now be starting to appear. The puzzle was the persistent climb of the performance index despite a pronounced and prolonged sag in the leaders. In June, however, industrial production declined and unemployment increased, bringing the Japanese performance index down a notch—*perhaps* the beginning of a cyclical slowdown.

Meanwhile, the leaders continue downward, in particular machinery and construction orders, dwelling units started, common stock prices, and the ratio of prices to unit labor costs (a measure of profit margins). The leading index has been mostly on the decline for a full year now.

The Japanese inflation picture continues to improve. In June the inflation rate is down to 2.5 percent, better than all other countries except Australia and New Zealand.



Solid and Steady Recovery

Although the 1990 recession in Taiwan was not the earliest to get underway among the industrialized countries, it is the most complete to date. The end of recession and the beginning of economic revival were first signaled by the leading index data for November, and the economy itself began to move significantly higher at about the turn of the year.

Since then, the progress of the recovery has been solid and steady. The leading index has climbed vigorously month after month, almost without interruption. Over the latest 3 months, each of the six leading indicators that comprise the index advanced smartly. The economic performance index also rose, but at a more moderate pace.

THE INTERNATIONAL ECONOMIC INDICATOR SYSTEM

This publication is designed to help readers monitor the ups and downs of the business cycle around the world. To this end, three statistical series are shown for each country. One is the inflation rate, calculated from the consumer price index compiled by the official statistical agency. The other two are cyclical indexes—an index of economic performance and a leading index. All of the cyclical indexes are based on 1980=100. The economic performance indexes are composites of such series as real GNP, industrial production, employment and sales—what analysts call "coincident" series, because they define the business cycle.

The leading indexes are composites of such series as new orders, construction contracts, corporate profits and stock prices—indicators that usually anticipate changes in production and employment by several months. Thus the indexes of economic performance tell us the current status of the business cycle, i.e., where we are, while the leading indexes tell us where the economy is headed.

Experience has shown that when the leading index begins to rise faster, it is a fairly safe rule that the economy will soon begin to rise faster too — typically after three or four months. When the leading index begins to rise more slowly or to decline, the economy is likely to follow suit shortly thereafter. (For details, see Phillip A. Klein and Geoffrey H. Moore, *Monitoring Growth Cycles in Market-Oriented Countries*, Ballinger Publishing Co, 1985.) Considerable variation in the length of the lead is to be expected, however. Constant monitoring is needed to make effective use of the system and to get early warnings of recessions and recoveries, changes in foreign trade flows, and new inflationary trends.

The indexes were developed by Geoffrey H. Moore and Phillip A. Klein, and are maintained by the Center for International Business Cycle Research at the Columbia Business School. (The U.S. indexes used here differ slightly from the indexes reported monthly by the U.S. Department of Commerce.) To facilitate analysis the indexes are adjusted so their long-run growth rates are equal to those in real GNP in the country concerned. Growth rates are shown in the first column of the table on page 2.

For more information: David Chon, Editor

For more about this indicator system and the availability of detailed data for each country please address inquiries to: Center for International Business Cycle Research, Columbia Business School, New York, NY 10027 - Telephone: 212-280-2916.

INDEXES, WORLDWIDE AND BY REGION, 1990-91

		11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
		Indexes, 1980=100									
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	90	135	140	140	140	128	138	129	124	158	167
Feb.	90	135	139	140	140	129	137	129	124	158	168
Mar.	90	136	139	141	140	129	137	130	124	160	167
Apr.	90	136	139	142	140	129	137	130	125	161	167
May	90	137	140	142	140	129	137	131	125	162	168
June	90	137	140	143	140	130	138	131	125	162	168
July	90	137	140	143	140	129	138	132	126	163	168
Aug.	90	138	140	144	140	129	138	133	126	163	167
Sept.	90	137	139	144	139	128	137	133	125	163	165
Oct.	90	137	138	144	138	127	135	133	125	164	162
Nov.	90	137	136	144	137	126	134	133	125	164	161
Dec.	90	136	136	144	138	125	133	133	125	165	162
Jan.	91	137	136	146	138	124	132	134	125	166	163
Feb.	91	136	137	146	139	123	132	134	126	167	163
Mar.	91	136	137	145	139	122	132	134	127	166	163
Apr.	91	136	138	146	139	123	134	134	128	168	162
May	91	137	138	146	139	123	136	134	128	170	162

	11 Countries		10 Countries excl. U.S.		North America (2)		Europe (4)		Pacific Region (5)	
	Growth Rates, Percent									
	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan. 90	4	1	6	2	0	-1	6	1	7	5
Feb. 90	4	1	6	2	1	-2	6	0	7	6
Mar. 90	4	1	6	2	1	-1	6	0	7	4
Apr. 90	4	0	6	2	0	-2	6	1	8	3
May 90	4	1	6	2	1	-1	6	1	7	3
June 90	4	1	6	1	1	0	6	2	7	2
July 90	4	1	6	2	1	0	6	2	7	2
Aug. 90	3	0	5	1	0	0	5	2	6	0
Sept. 90	2	-1	4	-1	-1	-1	5	1	5	-2
Oct. 90	2	-2	4	-2	-2	-3	4	1	5	-6
Nov. 90	1	-4	3	-3	-4	-5	4	0	4	-6
Dec. 90	0	-4	3	-2	-5	-6	3	0	4	-5
Jan. 91	0	-3	4	-2	-6	-6	4	0	5	-4
Feb. 91	0	-2	3	-1	-7	-5	3	2	5	-2
Mar. 91	-1	-2	2	0	-7	-4	3	2	3	-2
Apr. 91	0	0	3	0	-6	-2	2	4	5	-3
May 91	0	0	3	0	-5	1	1	3	6	-3
	Ten Year Annual Growth Rate, Percent									
	3	3	3	3	3	3	2	2	4	4

INDEXES, ELEVEN COUNTRIES, 1990-91

		United States		Canada		West Germany		France		United Kingdom		Italy		Japan		Korea, R.O.K.		Australia		New Zealand		Taiwan, R.O.C.	
		Indexes, 1980=100																					
		Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.	Perf.	Lead.
Jan.	90	128	139	134	121	124	129	142	128	127	118	118	118	155	168	228	221	150	127	111	119	194	236
Feb.	90	128	138	134	121	125	130	143	127	128	118	118	117	156	169	232	231	149	126	111	118	194	246
Mar.	90	129	139	135	120	126	130	144	128	128	118	118	117	157	168	236	228	148	126	112	117	194	241
Apr.	90	128	138	135	119	125	130	144	129	129	118	118	117	159	168	236	225	149	125	112	116	192	239
May	90	128	139	134	118	127	130	145	130	129	117	119	117	160	169	234	227	148	125	113	117	194	238
June	90	129	140	134	119	127	130	146	131	129	118	119	116	160	169	235	225	148	124	111	116	192	235
July	90	128	140	134	119	128	132	148	131	129	117	119	117	162	169	237	226	146	124	111	116	192	234
Aug.	90	128	140	134	119	129	132	148	131	128	117	120	116	162	168	238	226	145	123	111	115	192	232
Sept.	90	128	139	133	119	129	132	148	130	128	117	120	114	162	166	238	234	143	123	110	115	193	230
Oct.	90	127	137	132	118	130	133	149	129	128	116	120	115	163	163	237	223	142	122	112	115	195	229
Nov.	90	126	135	131	117	130	133	149	129	127	115	120	114	163	161	237	233	140	123	112	114	195	236
Dec.	90	124	134	130	115	130	134	150	128	127	115	121	114	164	162	242	232	140	121	111	113	194	235
Jan.	91	123	134	128	114	133	135	151	129	126	114	122	114	166	163	248	234	141	121	110	113	197	239
Feb.	91	122	134	128	113	133	136	151	130	126	114	122	115	166	164	249	227	139	122	111	112	201	239
Mar.	91	122	134	127	113	133	136	151	132	126	115	122	115	166	163	248	230	136	121	109	112	199	243
Apr.	91	122	136	128	113	134	136	152	135	124	116	120	116	168	162	255	231	132	121	110	114	199	246
May	91	122	138	129	114	133	136	152	135	123	115		116	170	161	252	234	135	123	110	113	202	249
June	91	122	139			134			137	124	115			168	160	249	230	137	122			202	254
		Growth Rates, Percent																					
Jan.	90	0	0	2	-5	7	5	8	-3	4	0	5	1	7	6	10	1	6	-4	2	2	4	8
Feb.	90	1	-2	2	-5	7	4	7	-3	4	0	5	-1	7	7	11	10	3	-5	2	0	3	14
Mar.	90	1	-1	2	-5	8	3	7	-2	4	-1	5	-1	8	5	13	6	2	-6	3	-1	2	8
Apr.	90	0	-2	2	-7	6	3	7	0	4	0	4	0	9	4	12	3	2	-6	3	-2	0	5
May	90	1	0	1	-7	8	3	7	1	4	-1	4	0	8	4	8	4	0	-5	5	-2	1	3
June	90	1	0	1	-6	6	3	7	3	3	-1	4	-2	8	3	8	2	0	-6	2	-3	0	0
July	90	1	0	0	-5	8	4	8	4	2	-1	3	-1	8	2	8	2	-2	-6	2	-3	-1	-1
Aug.	90	0	0	0	-3	8	5	7	2	1	-1	3	-2	8	0	8	2	-4	-5	0	-4	-1	-3
Sept.	90	-1	-1	-1	-4	6	4	6	1	1	-1	3	-5	6	-3	6	8	-6	-5	-1	-4	0	-5
Oct.	90	-2	-3	-2	-4	6	4	6	0	0	-2	3	-3	6	-6	4	-2	-7	-5	1	-4	2	-5
Nov.	90	-4	-5	-4	-5	6	4	5	0	-1	-4	2	-4	6	-8	3	6	-9	-4	2	-4	1	0
Dec.	90	-5	-5	-5	-7	5	5	5	-1	-2	-4	3	-3	6	-6	6	4	-8	-4	-1	-5	0	0
Jan.	91	-6	-6	-7	-8	8	6	6	0	-3	-4	4	-3	6	-4	10	5	-6	-4	-2	-4	4	2
Feb.	91	-7	-4	-7	-8	7	6	5	2	-3	-4	3	-2	6	-3	9	-1	-8	-2	-1	-5	7	2
Mar.	91	-7	-4	-7	-7	6	6	4	4	-3	-2	3	-1	4	-3	7	1	-10	-3	-4	-4	5	6
Apr.	91	-6	-2	-5	-5	6	4	4	7	-6	0	0	1	6	-4	12	2	-14	-2	-1	-2	5	8
May	91	-5	1	-4	-3	4	4	3	7	-5	-1		1	8	-4	8	4	-9	1	-1	-2	6	10
June	91	-4	3			5			8	-3	0			5	-4	5	0	-5	0			6	13
		Ten Year Annual Growth Rate, Percent																					
1976-86		3	3	3	3	2	2	2	2	2	2	2	2	4	4	7	7	3	3	2	2	8	8